

(d) STATUTE OF LIMITATIONS. If the taxpayer for any taxable year treats an amount as a contribution to the capital of the taxpayer described in subsection (c), then—

"(1) the statutory period for the assessment of any deficiency attributable to any part of such amount shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may prescribe) of—

"(A) the amount of the expenditure referred to in subparagraph (A) of subsection (c)(2).

"(B) the taxpayer's intention not to make the expenditures referred to in such subparagraph, or

"(C) a failure to make such expenditure within the period described in subparagraph (B) of subsection (c)(2), and

"(2) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment."

(2) CONFORMING AMENDMENT. Section 118(b) is amended by inserting "except as provided in subsection (c)." before "the term".

26 USC 118 note,

(3) EFFECTIVE DATE. The amendments made by this subsection shall apply to amounts received after June 12, 1996.

(b) RECOVERY METHOD AND PERIOD FOR WATER UTILITY PROPERTY.

(1) REQUIREMENT TO USE STRAIGHT LINE METHOD.

Section 168(h)(3) is amended by adding at the end the following new subparagraph:

"(F) Water utility property described in subsection

(2) 25-YEAR RECOVERY PERIOD. The table contained in section 168(c)(1) is amended by inserting the following item after the item relating to 20-year property:

"Water utility property 25 years".

(3) WATER UTILITY PROPERTY.

(A) IN GENERAL. Section 168(e) is amended by adding at the end the following new paragraph:

"(5) WATER UTILITY PROPERTY. The term "water utility property" means property

"(A) which is an integral part of the gathering, treatment, or commercial distribution of water, and which, without regard to this paragraph, would be 20-

year
and property,

"(B) any municipal sewer"
(B) CONFORMING AMENDMENTS.— Section
168 is amended —

(i) by striking subparagraph (F) of subsection

(e)(3) and

(ii) by striking the item relating to subparagraph (F) in the table in subsection (q)(3).

(4) ALTERNATIVE SYSTEM. — Clause (iv) of section

168(q)(2)(C) is amended by inserting "or water utility property" after "tunnel bore".

26 USC 168 note. (5) EFFECTIVE DATE.— The amendments made by this subsection shall apply to property placed in service after June 12, 1996, other than property placed in service pursuant to